

STATEMENT OF PURPOSE

RS20752

Amend the State Directory of New Hires Act to add a penalty for employers failing to report to the Department the hiring or rehiring of employees. The State Directory of New Hires Act was enacted to prevent welfare, worker's compensation and unemployment insurance fraud. The imposition of a penalty on employers who fail to comply with the law will encourage compliance and allow the Department to more quickly identify unemployment insurance fraud that occurs when claimants continue to file for unemployment insurance benefits after returning to work.

In 2010, the Department detected 1,776 cases of unemployment insurance benefit fraud where claimants continued to receive benefits after returning to work and the new employer failed to report the new hire to the Department. Since the wage discrepancy was not discovered until the new employer filed its next quarterly unemployment insurance tax report, the Department was unable to stop the payment of benefits at the time of the new hire and claimants fraudulently continued to receive benefits for several months.

FISCAL NOTE

There is no fiscal impact to the General Fund or to local government funds. There is a potential positive benefit to the Employment Security Fund in proportion to the reduction of overpayments made to claimants improperly filing for unemployment insurance benefits. In 2010, if employers had complied with the new hire reporting requirement, the Department could have prevented approximately \$5 million in benefit overpayments.

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